REMARKS

On an initial note, Applicants wish to thank the Examiner for the courtesies extended to Applicants' representative during the personal interview conducted on July 17, 2007, which included a review of the claims, and a review of the cited Snail and Leet references. An agreement was reached regarding allowance of the application.

Claims 1-37, 39-46, and 51-56, are pending. Claims 1-37, 39-46, and 51-56, were rejected under §103(a) as being unpatentable over Snail, "The Effects of Hospital Contracting for Physician Services on Hospital Performance," in view of Leet, U.S. Patent No. 6,000,828. An RCE was submitted on June 1, 2007, in response to the Advisory Action dated April 23, 2007, to have the Office Action Response to Final Action submitted on March 19, 2007, and Rule 1.132 Declaration of Richard Fiscella entered of record. Claims 1, 13, 25, 37, 40, 46, and 52, have been amended in accordance with the agreement, without prejudice, solely in order to expedite allowance of the application, and not to overcome any references of record, and that no new matter has been added. Claims 8, 17, 41, and 53, have also been amended, without prejudice, including the doctrine of equivalents, to correct scriber's errors. The specification has also been amended to make minor corrections to various scriber's errors. The drawings, FIGS. 2A, 3, and 5, have been amended to add indicators referenced in the specification, with FIG. 2A also being amended to correct a continuation arrow direction. A redline (annotated) copy illustrating the changes is attached herewith. The Commissioner is authorized to charge any required fee, or provide any refund, to the deposit account of Bracewell & Giuliani LLP, Deposit Account No. 500259 (Attorney Docket No. 044258.003).

Claims 1-37, 39-46, and 51-56 Are Not Obvious

In the final office action dated January 18, 2007, and in the advisory action dated April 23, 2007, the Examiner rejected Claims 1-37, 39-46, and 51-56 under the provisions of 35 U.S.C. § 103(a) as being unpatentable over "The Effects of Hospital Contracting for Physician Services on Hospital Performance" (hereinafter "Snail") allegedly published in the Spring of 2000, in view of U.S. Patent No. 6,000,828 (hereinafter "Leet"). Although the Applicants respectfully disagree, Applicants have made amendments to the claims, without prejudice, in accordance with an agreement reached at the interview on July 17, 2007, solely in order to expedite allowance of

the application. Accordingly, as described in more detail below, the amendments were unnecessary to overcome cited reference(s), but were nevertheless made in order to expedite allowance of the application.

"To establish a *prima facie* case of obviousness, three basic criteria must be met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Second, there must be a reasonable expectation of success. Finally, the prior art reference (or references when combined) must teach or suggest all the claim limitations. The teaching or suggestion to make the claimed combination and the reasonable expectation of success must...not [be] based on applicant's disclosure." *In re Vaeck,* 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991); *see also* MPEP 706.02(j).

Irrespective of the fact that it is Applicants contention that there was no recognition of the source of Applicants' problems by either of the cited references, that there would be would be no motivation to combine references or modify reference teachings, and that there would not be a likelihood of success without undue experimentation if attempted without the benefit of Applicants disclosure, as described in the Office Action Response and Rule 1.132 Declaration by Richard Fiscella both submitted on March 19, 2007, each incorporated herein by reference, neither Snail nor Leet (introduced to support an alleged disclosure of a tangible computer medium for gathering data regarding *physicians*), set forth each and every element featured in either of the independent Claims 1, 13, 25, 37, and 46, as required for a showing of a *prima facie* case of obviousness.

Applicants submit that neither Snail nor Leet, alone or in combination, teach or suggest all of the elements of the claimed embodiments of the present invention. The Examiner references Appendix 2 of Snail for the premise that Snail, in general, teaches the identifying and the modifying steps of, for example, Claim 1, and references Leet, col. 15, lines 11-28, for the premise that Leet teaches the gathering step. Applicants respectfully submit that the Examiner is mistaken. Snail, like previously cited Freeman and Dang, describes "administrative" methods. Embodiments of the claimed invention instead teach "control" and management. Stated another way, Snail fails to provide a teaching of even the subject matter identified in the preamble of the independent claims, much less the specific elements of the independent claims. Claim 1, for

example, features a method of managing a healthcare practice participating in an insurance network to enhance profitability of the healthcare practice with respect to a predetermined reimbursement amount for ancillary pharmacy costs--a solution for managing a healthcare practice to enhance profitability of the healthcare practice. To accomplish this method, Claim 1 features, at least in part, gathering data in a computer medium on ancillary pharmacy costs for each of a plurality of physicians in a healthcare practice participating in an insurance network, analyzing the gathered data, identifying responsive to the analysis at least one of the physicians that is at a risk of not getting reimbursements by prescribing medications that are detrimental to receiving reimbursement, modifying ancillary costs management behavior of the at least one of the plurality of physicians at the greater risk regarding the ancillary pharmacy costs, and determining that the risk of not receiving the predetermined reimbursement amount for the ancillary pharmacy costs from the insurance network has been reduced to increase the profitability of the healthcare practice. Also, for example, as in Claim 13, the solution can be applicable to other ancillary medical costs; and as in Claim 25, the solution can instead have a financial incentive to the insurance network and physicians in the healthcare practice. Also for example, as in Claims 37 and 46, the various solution or solutions can be applicable to and implemented by a computer system.

Snail discloses that statistical profiles can be used to gather data and compare individual physicians to other peer physicians. Snail, however, fails to disclose, teach, or suggest that "incentive payments are...based on [ancillary medical] costs." Snail, page 161, lines 1-4, references a footnote which shows results of a physician compensation survey on physician group practices offering incentive-based payments. Applicants believe that the Examiner is using such information to somehow extract a teaching of controlling physician behavior through use of ancillary medical costs. The data provided, however, indicates that group practice incentive payments averaged 10% of total compensation. Of this, only 10% of the 10% was based on "service and overhead costs." In other words, there was only a maximum of a 1% total impact. Further, the data provided that just over half of the Hospitals have incentive payments, which average 15% of total compensation, but there is no mention of "service and overhead costs" impact. Finally, Integrated Delivery Systems incentive payments average 5% of total compensation, and again, there is no mention of "service and overhead costs" impact. It is

clearly indicated that there is only a miniscule impact of costs on incentives. *See* Snail, page 161, lines 15-30. When such factor is so diminutive, it can be expected to have little or no effect. Thus, contrary to the teachings of Applicants which requires ancillary medical/pharmacy costs to be a controlling factor, even excessively high ancillary medical or pharmacy costs combined with some other factors important to Snail would result in a maximum or near maximum incentive payment, according to Snail. Therefore, one skilled in the art could not extract from this, a teaching or suggestion of utilizing ancillary medical or pharmacy costs as a method of behavior control, much less that specifically directed to physicians in a healthcare practice participating in an insurance network (open healthcare system).

Still further, nothing indicates that these "costs" referred to in Snail are anything other than "those attributed directly to a medical procedure performed by a physician," which were specifically excluded in the claims, themselves, from the Applicants' definition of ancillary medical/pharmacy costs. As such, nothing in Snail discloses, teaches, or suggests that ancillary medical costs or ancillary pharmacy costs, as defined in the claims, affect physician management behavior. Therefore, Snail clearly fails to teach or suggest that ancillary medical or pharmacy costs should be used to control physician management behavior as featured in independent Claims 1, 13, 25, 37, or 46, and thus, fails to provide a teaching of even the subject matter identified in the preamble of the independent claims, much less the specific elements of the independent claims.

More specifically regarding Claim 1, Snail, for example, fails to disclose, teach, or suggest the step of gathering data in a computer medium on ancillary pharmacy costs for each of a plurality of physicians in a healthcare practice participating in an insurance network regarding management of ancillary pharmacy costs at least primarily in the form of pharmacy costs other than those attributed by a medical procedure performed directly by any of the plurality of physicians when the respective physician directly administers a medication to a patient; and analyzing the gathered data. Although Snail arguably describes comparing hospital-based individual practices or collective physician practices to their peers along such dimensions as resource consumption, etc., and comparing physician profiles to either general practice guidelines or to other physician practices to evaluate performance to aid in contract negotiation ("negotiation and structuring of managed care contracts"), Snail, page 156, Snail provides no

such teaching of gathering and analyzing data on ancillary pharmacy costs as defined in the claim.

Snail also fails to disclose, teach, or suggest the step of identifying from the tangible computer medium at least one of the plurality of physicians in the healthcare practice participating in the insurance network that is at a greater risk of not receiving the predetermined reimbursement amount for the ancillary pharmacy costs from the insurance network by prescribing medications that are detrimental to receiving the predetermined reimbursement amount for the ancillary pharmacy costs. This claim step has several sub-elements, each individually important. First, as indicated by the Examiner, Snail does not teach the step of identifying any data from the tangible computer medium. Second, Snail does not teach application to a physician in an open healthcare system (i.e., in a healthcare practice participating in an insurance network), but rather is only directed to hospitals and possibly other closed healthcare systems. *See* Snail, abstract.

Next, Snail neither discloses, teaches, nor suggests "modifying [physician] ancillary pharmacy cost management behavior of the at least one...physician at the greater risk," which would be detrimental to receipt of a predetermined reimbursement amount for ancillary pharmacy costs from an insurance network, i.e., behavior outside the desires of the insurance network or "determining that the risk of not receiving the predetermined reimbursement amount for ancillary pharmacy costs from the insurance network has been reduced." Although Snail arguably identifies, again, in a hospital or closed healthcare system setting only, that use of incentive-based payments can control physician performance, such teaching does not transfer to the specific elements of this claim. Particularly, such teaching has nothing to do with management of physician behavior with respect to the desires of the insurance network. Notably, encouraging a physician to select the cheapest pharmaceutical or forgo utilization of any pharmaceutical may, altogether, not be that which is desired by the insurance network. For example, the specific pharmaceutical may be favored even though it is not necessarily the cheapest to the patient when compared to another equally suitable pharmaceutical. Snail provides no such teaching. Again, there is a significant disparity between procedures, rules, and regulations which govern open healthcare systems and closed healthcare systems. The teachings of one simply are not directly readily transferable to the other.

Snail not only fails to disclose, teach, or suggest modifying ancillary pharmacy costs management behavior of the at least one of the plurality of physicians at the greater risk regarding the ancillary pharmacy costs, and determining that the risk of not receiving the predetermined reimbursement amount for the ancillary pharmacy costs from the insurance network has been reduced to increase the profitability of the healthcare practice; in reading Snail, one should further conclude that Snail inherently teaches away from utilization of ancillary medical costs, including pharmacy costs, to control physician behavior. Applicants describe this as an inherent teaching because the author of the Snail dissertation explicitly stated that the available data provided in Appendix 2 "do[es] not permit hypothesis testing." *See* Snail, page 5, lines 1-3. Thus, Snail explicitly indicates that he did not have all the facts necessary to analyze governance mechanisms in physician practice organizations or the intention to test them, making Snail generally, and Appendix 2 specifically, in combination with the knowledge generally available to one skilled in the art at the time of the invention, a non-enabling disclosure with respect to this element even if Claim 1 was directed to a closed healthcare system (which Applicants contend it is not). *See* MPEP 2121.02I (analogously stating with respect to compounds and compositions, "the mere naming of a compound in a reference, without more, cannot constitute a description of the compound."). Notably, the Examiner did not directly counter this point in the final rejection other than to bypass comment by stating that "Applicants' have not identified a particular teaching that the Examiner has used that is not enabled..." (see Final Office Action, paper No. 20070108A, page 11, para. 28), when clearly Applicants did.

Nevertheless, the Examiner cites Snail, pages 162-163, as indicating that, with respect to general utilization management, education is a disclosed method of modification of physician behavior. "Education," however, is only mentioned once in the context of stating that "utilization management incentives can be instilled by...the structure of physician group practices, which encourages ongoing peer review, education, and innovation through a nonadversarial relationship." Thus, the term "education" is a characteristic of the structure of physician group practices and not any sort of utilization management mechanism. *See, e.g.*, page 163, Table A2.3 (listing utilization management mechanisms but not including education as a utilization management mechanism).

Further, regardless of whether or not Snail discloses education as a method of modifying physician behavior (or any other professional for that matter), Snail fails to disclose, teach, or suggest applying such education to ancillary medical or pharmacy costs to modify physician behavior with respect to such costs, or in doing so, substantially reducing the risk of not receiving the predetermined reimbursement amount for the ancillary pharmacy costs from the insurance network to increase the profitability of the healthcare practice. As pointed out in the prior office action response, Applicants were unable to identify any passage indicating such teaching or suggestion either within or outside the pages cited by the Examiner. Modifying physician behavior with respect to ancillary medical or pharmacy costs and substantially reducing non-reimbursement risk leading to enhanced profitability of the healthcare practice are important features correspondingly not disclosed, taught, or suggested by either Snail or Leet, alone, or in combination. Both features are important sub-elements; and the "reducing non-reimbursement risk" feature, in particular, is not an intended use, as alluded to by the Examiner, but rather, that which the behavior modification is directed to.

Although Snail was missing each of these elements, described above, the Examiner introduced Leet solely to support an alleged disclosure of a tangible computer medium for gathering data regarding *physicians*. Nevertheless, as noted previously, even if there was motivation to combine Snail and Leet (which Applicants contend there is not), Leet does not "fill in the blanks" with respect to this feature or the missing features, identified above. Leet, for example, fails to disclose, teach, or suggest the gathering data regarding *physicians* in a healthcare group in a tangible computer medium step, or the performing, the identifying, modifying or reducing steps, even when combined with Snail. Rather, Leet teaches gathering data regarding specific diseases and treatments in order to form an intelligent diagnostic tool, which can provide to a physician a recommended treatment including comparative drug costs, a predicted total number of unit doses, and projected total cost of administering each recommended treatment, etc. *See* Leet, col. 3, line 41 to col 4, line 41. As also pointed out by the Examiner in the Final Office Action, the Leet system can also predict an estimated cost of treating a patient with a given drug or drug combination. *See* Leet, col. 15, lines 11-28. Notably, such information can be provided *to* a *physician*, but it is <u>not</u> data regarding ancillary pharmacy/medical costs management for physicians in a healthcare group participating in an

insurance network, or a teaching or suggestion, thereof. Thus, as Leet fails to disclose, teach, or suggest even the element to which it was introduced by the Examiner as teaching, identified by the Examiner as missing from Snail, neither Snail nor Leet, alone or in combination, provide each and every element of independent Claim 1 (or Claims 13 or 25 for similar reasoning); and as there is no teaching or suggestion that their combination would somehow produce the other missing elements, missing from both Snail and Leet, for the reasons provided above, the third element of a *prima facie* case of obviousness has not been satisfied.

Accordingly, in view of the lack of motivation to combine the cited documents due to their noted disparities, overall failure to recognize the source of the problem as recognized by Applicants, lack of a reasonable expectation of success in developing claimed embodiments of the Applicants invention even using Applicants specification as a roadmap to do so, and lack of teaching or suggestion of each and every element of each independent claim, Applicants respectfully submit that Claims 1, 13, and 25 are novel, nonobvious and patentable over the cited documents. Note, independent system Claims 37 and 46 are also novel, nonobvious, and patentable over the cited documents under similar reasoning.

Dependent Claims 2-12, 14-24, and 26-36 (and Claims 39-45, and 51-56) have therefore also been shown to be allowable because their corresponding independent claims have been shown to be novel and non-obvious. Nevertheless, the dependent claims include independent novelty and are not obvious for the reasons described in the Office Action Response submitted March 19, 2007.

Independent System Claims 37 and 46, are also novel and nonobvious. Neither Snail nor Leet, alone or in combination, for example, disclose, teach, or suggest at least the following: a first database comprising ancillary medical procedures that are preferred by the insurance network; a second database comprising ancillary medical costs of each of the plurality of physicians participating in the insurance network; and computer executable program product stored on a tangible computer medium including: an analyzer for analyzing the data in the first and second database and comparing the ancillary medical procedures that are preferred by the insurance network with the ancillary medical costs of the plurality of physicians participating in the insurance network to thereby identify ancillary medical costs of the physicians that are not preferred by the insurance network, and managing means responsive to the analyzer for

managing the ancillary medical costs of the healthcare practice identified as not being preferred by the insurance network to thereby modify the ancillary medical costs of the physicians in the healthcare practice to be more profitable to the insurance network. Particularly, as indicated in the prior office action response, Applicants were unable to identify any passage in either Snail or Leet indicating a teaching or suggestion with respect to providing at least the following: an analyzer to compare ancillary medical procedures preferred by an insurance network with ancillary medical costs of physicians in a healthcare practice participating in the insurance network to identify those non-preferred ancillary medical costs being incurred, or managing means for managing those ancillary medical costs identified as not being preferred by an insurance network. These are important features correspondingly not disclosed, taught, or suggested by either Snail or Leet, or the combination thereof. As such, Claims 37 and 46 have been shown to be allowable and define over the cited documents. Additionally, Claim 46 further includes an updater and recommending means, also not disclosed, taught, or suggested.

Dependent Claims 39-45, and 51-56 have also been shown to be allowable because their corresponding independent claims, Claims 37 and 46, respectively, have been shown to be novel and non-obvious. Nevertheless, the dependent claims include independent novelty and are also nonobvious for the reasons described in the Office Action Response submitted March 19, 2007.

In commenting upon the references and in order to facilitate a better understanding of the differences that are expressed in the claims, certain details of distinction between the cited documents and the claimed embodiments of the invention have been mentioned, even though such differences do not appear in all of the claims. It is not intended by mentioning any such unclaimed distinctions to create any implied limitations in the claims. Not all of the distinctions between the cited documents and Applicants' claimed embodiments of the invention have been made by Applicants. For the foregoing reasons, Applicants reserve the right to submit additional evidence showing the distinctions between Applicants claimed embodiments to be nonobvious in view of the cited references.

The foregoing remarks, made without prejudice as to patentability, including the doctrine of equivalents, are intended to assist the Examiner in re-examining the application and in the course of explanation may employ shortened or more specific or variant descriptions of some of the claim language. Such descriptions are not intended to limit the scope of the claims; the

actual claim language should be considered in each case. Furthermore, the remarks are not to be considered to be exhaustive of the facets of the claimed embodiments of the invention that render it patentable, being only examples of certain advantageous features and differences that Applicants' attorney chooses to mention at this time.

CONCLUSION

In view of the above remarks and the agreement reached with the Examiner during the interview on July 17, 2007, Applicants submit that the Application is in condition for allowance. As such, the issuance of a Notice of Allowance is respectfully requested.

Respectfully submitted,

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